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On cash management

Wayne Rogers

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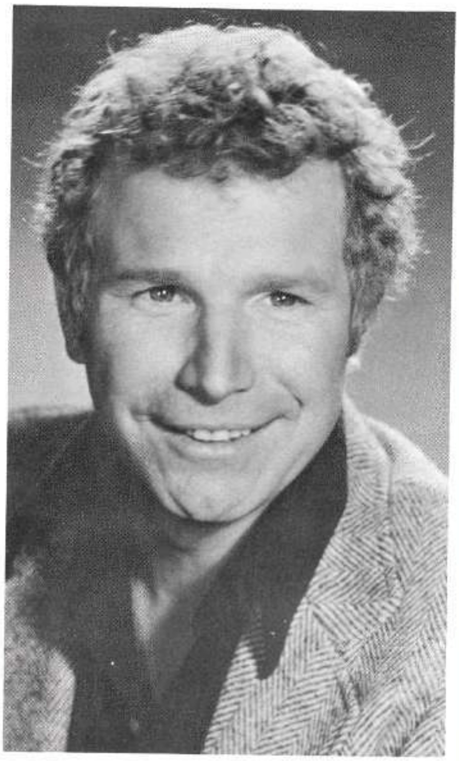
WAYNE ROGERS ON C*A*S*H MANAGEMENT



Hollywood has been called a never-never land, somewhat out of touch with reality. Such an image, however, does not square with the financial activities of actor Wayne Rogers. Known to the public for his role as Trapper John in the TV smash M*A*S*H, Rogers is a partner in various investment ventures, along with fellow actors Peter Falk, James Caan, and Jack Webb. Moreover, the 42-year-old star is either the managing or active partner in such deals, which range from ranching to condominiums to office buildings. Recognized as an astute investor, Rogers has himself addressed the California Society of CPAs on investment criteria and tax planning. Here he offers TEMPO readers some insights into the world of financial planning in our nation's dream factory.

Which came first in your case—the money or the planning?

ROGERS: Back in the navy, I had had a lot of free time on my hands, and being interested in the nature of the capitalist system, I decided to study how to earn some of that capital for myself. We were a middle-class family. My father was a lawyer and not the entrepreneur type that I am, so I had no real money at that point.

But eventually it came.

ROGERS: Yes, I did make some money in my first year in Hollywood, and that started me off. And then there was M*A*S*H.

Did you ask someone to manage your finances?

ROGERS: Early on I had determined I would do it myself. I had witnessed so-called experts make errors. Recently, even bank presidents were victimized by the Home-Stake oil swindle. So if errors were going to be made, I wanted to be the author of my own doom, and not blame anyone else. Besides, the graveyard of finance is littered with actors, prominent ones, who had lost their shirts by being involved with a business manager who was (a) unethical, (b) unknowledgeable, or (c) a brother-in-law. Of course, this is less true today than it was 30 years ago. Now there is an awareness that professional expertise is necessary in today's complex financial world.

I understand you have filled that role for some people.

ROGERS: Yes, my own investment success attracted the attention of others. They came to me with their financial problems, and, when I was able to help them, word began to get around. My work was mainly in the tax incentive area. I do not use the word "shelter." The word was invented by salesmen, and now has been taken over by people who want to shoot down what is an excellent economic tool.

Is financial planning different in the entertainment industry?

ROGERS: Yes, take a rock singer who has a couple of gold records. In one year, he can make $5 million. Before the Pension Reform Act, he was able to put away 25 percent of that $5 million in a pension and profit-sharing plan. But now he is limited to the first $100,000. Of course, there is income averaging, but that is really inadequate with the salary fluctuation that a musician can have.

So how do you handle such situations?

ROGERS: The best thing is to get a handle on the kind of year a talent is going to have. For example, we have a client who is a television writer, and he recently proposed three shows to the television networks. Now, if any one of those shows sells, we know this client will earn x dollars, or two shows will bring y dollars. It turns out that one show did sell, so this means that we can plot his income, based on whether there will be 13 segments or 26 segments, and whether he is paid $10,000 or $20,000 per segment. In almost all these cases, we then set up a personal holding company that loans out the client's services. And the fiscal year for the corporation is a different fiscal year from that of the individual, which gives us two years of planning for that income.

How do you recommend one find a financial advisor?

ROGERS: The best thing to do is to talk to both clients and their advisor, to find out exactly what the advisor has done for each client. I recommend more than a conversation with someone in a bank's trust department, or an article in a publication that is out to promote the super-heroics of some executive. I might go to a businessman if his financial relationship with the advisor was on an arm's-length basis, but I would hesitate asking just anyone in his community. It cannot be a catch-as-catch-can thing. After all, the advisor is hawking his services. He is out to make a buck. It's not word of mouth you want, but hard facts.

Should the advisor be a generalist, or do you recommend going to different specialists?

ROGERS: The specialists, because then you have the opportunity to hear three sides of the same story. The investment advisor, for example, may have other accounts than yours on his mind. So talking to an accountant and a lawyer will give you other opinions to go with your own. Maybe some will be good, some bad, but at least the alternate views will help you make a decision.

What is the public accountant's role?

ROGERS: I had a client whose previous business managers had invested money in a scheme that we alleged to be fraudulent. Now, as you know, with regard to fraud, the year of discovery is the year you take the loss. So it became a question of proving it was a fraud in order to get the government to allow the client a casualty loss in what was otherwise a good year. And a public accountant—indeed, the Touche Ross office in Los Angeles—was of enormous help in advising us how to do this. In other cases, the accountant will not only prepare those important schedules, he will also indicate how far you may or may not be able to go in certain circumstances. He can help turn an ordinary business deal into a very good one from a tax point of view.

Should a client develop some of this expertise himself?

ROGERS: He'd better, if he's ambitious for himself or his company.

How?

ROGERS: By reading, by study. By staying current with what the IRS is doing, with what the tax courts are doing. And he should go over his corporate returns with his accountant and ask, "Why was this done and why was that done?" And the same with his attorney. Now there are some people who say: "I don't want to know anything about it; here it is, you run it." I'm leery of dealing with those kind, because they're the ones who want to duck the responsibility of their own investment.

Will financial counseling be changing in the future?

ROGERS: I see government controls becoming greater and greater, the rules becoming much narrower, so there will be much less room to maneuver, and to this extent the role of the financial counselor is going to be diminished in my view. Even if the complexity of regulations increases, the key aspect is that one's options are going to be narrowed. Of course, there will still be a need for counseling as the tax laws change and when special legislation, such as DISC, is introduced, but I am not optimistic on the overall impact that financial counseling might have in comparison to its potential today.

Where then will you turn in the financial field?

ROGERS: I'm interested in real estate, and oil and gas. The offshore trust possibilities promise to be a highly sophisticated situation that only a few individuals will be able to understand. And I will always be looking for the challenge of a new problem—like a fellow who walks in and says, "I've got x number of phantom options granted before 58 and y number of real options from 72, and then z number of options there, and I want to merge my company into this company, and I want to know what is my position." That means a lot of tax planning as well as the financing, and such creativity will always interest me.

And will it spell the end of your acting career?

ROGERS: Not at all. This summer I'm going to do a remake of an old Frank Capra picture called, *It's a Wonderful Life.*

Are you going to be Jimmy Stewart?

ROGERS: No, it's a total rewrite. It's written now for a girl in that part.

Hollywood creativity rides again.